

**TRANSMITTAL AND NOTICE OF APPROVAL OF
STATE PLAN MATERIAL**
FOR: HEALTH CARE FINANCING ADMINISTRATION

1. TRANSMITTAL NUMBER:

0 1 — 0 0 6

2. STATE:

South Dakota

3. PROGRAM IDENTIFICATION: TITLE XIX OF THE SOCIAL
SECURITY ACT (MEDICAID)TO: REGIONAL ADMINISTRATOR
HEALTH CARE FINANCING ADMINISTRATION
DEPARTMENT OF HEALTH AND HUMAN SERVICES

4. PROPOSED EFFECTIVE DATE

July 1, 2001

5. TYPE OF PLAN MATERIAL (Check One):

☐ NEW STATE PLAN☐ AMENDMENT TO BE CONSIDERED AS NEW PLAN☒ AMENDMENT

COMPLETE BLOCKS 6 THRU 10 IF THIS IS AN AMENDMENT (Separate Transmittal for each amendment)

6. FEDERAL STATUTE/REGULATION CITATION:

42 CFR 447.50 through 42CFR 447.72

7. FEDERAL BUDGET IMPACT:

a. FFY 2001 \$109,773,842

b. FFY 2002 \$104,995,002

8. PAGE NUMBER OF THE PLAN SECTION OR ATTACHMENT:

Attachment 4.19D

Pages 1, 10, 18, 20 and 22

9. PAGE NUMBER OF THE SUPERSEDED PLAN SECTION
OR ATTACHMENT (If Applicable):

Attachment 4.19D

Pages 1, 10, 18 20 and 22

10. SUBJECT OF AMENDMENT:

Update effective dates of Reimbursement Methodology for Nursing Facilities
and make Audit requirements consistent for state owned facilities.

11. GOVERNOR'S REVIEW (Check One):

- ☒
- GOVERNOR'S OFFICE REPORTED NO COMMENT
-
- ☐
- COMMENTS OF GOVERNOR'S OFFICE ENCLOSED
-
- ☐
- NO REPLY RECEIVED WITHIN 45 DAYS OF SUBMITTAL

☐ OTHER, AS SPECIFIED:

12. SIGNATURE OF STATE AGENCY OFFICIAL:

13. TYPED NAME:

James W. Ellenbecker

14. TITLE:

Secretary

15. DATE SUBMITTED:

July 17, 2001

16. RETURN TO:

Department of Social Services
Office of Provider Reimbursement
700 Governors Drive
Pierre, SD 57501-2291

FOR REGIONAL OFFICE USE ONLY

17. DATE RECEIVED:

July 24, 2001

18. DATE APPROVED:

October 22, 2001

PLAN APPROVED - ONE COPY ATTACHED

19. EFFECTIVE DATE OF APPROVED MATERIAL:

July 1, 2001

20. SIGNATURE OF REGIONAL OFFICIAL:

Spencer K. Ericson

21. TYPED NAME:

Spencer K. Ericson

22. TITLE:

Acting Associate Regional Administrator

23. REMARKS:

POSTMARK: July 18, 2001

PART I

SOUTH DAKOTA STATE PLAN ATTACHMENT 4.19D REIMBURSEMENT FOR NURSING FACILITIES (OTHER THAN STATE-OPERATED FACILITIES)

Section A - General:

1. The purpose of this plan is to define the methodology for the establishment of reimbursement rates for nursing facilities participating in the State's Medicaid program. Provisions of and payments under this reimbursement plan shall begin July 1, 2001.
2. The Department of Social Services requires each Medicaid participating nursing facility to complete and submit a uniform report, known as the "Statistical and Cost Summary for Nursing Facilities", to the Department within 150 days following the close of each facility's fiscal year. The reports shall be completed following generally accepted accounting procedures, the Medicare Provider Reimbursement Manual (HCFA Publication 15), and/or instructions from the Department. The accrual method of accounting is required.
3. The cost reporting period to be used for the establishment of the Medicaid reimbursement rates to be effective July 1, 2001, will be based on the nursing facility year-end cost report(s) from April 30, 1999 through March 31, 2000, and are commonly referred to as the 1999 cost reports.
4. All providers shall be required to keep all financial and statistical records for a minimum of six years following the submission of cost reports and these records must be made available to the Department of Social Services and/or Medicaid Fraud Unit (MFCU) and/or Department of Health and Human Services (HHS) upon request. In no instance shall the records required by this paragraph be knowingly destroyed when an audit exception is pending.
5. All cost reports submitted will be maintained in the Department's files for a minimum of six years or until any audit exceptions are cleared, whichever is longer.

- c. The maximum allowable capital costs for facilities with a valid lease prior to June 30, 1999, shall be the capital cost as recognized (subject to limitations) by the Department on July 1, 1998.
 - d. No reimbursement shall be allowed for additional costs related to sub-leases.
4. For reimbursement purposes outlined under this plan, any lease agreement entered into by the operator and the landlord shall be binding on the operator or his successor(s) for the life of the lease, even though the landlord may sell the facility to a new owner. For reimbursement purposes outlined under this plan, the only exceptions for permitting the breaking of a lease prior to its natural termination date shall be:
- a. the new owner becomes the operator; or,
 - b. the owner secures written permission from the Secretary of the Department of Social Services to break the lease.
5. The maximum allowable capital cost for an owner-managed facility shall be limited to \$10.14 per resident day for all nursing facilities. Beginning July 1, 2002 and annually thereafter, the capital cost limitation will be inflated by one/half the annual percentage of cost change from the previous year to the current year, calculated by using the Means Building Index for South Dakota.
6. New construction notification - Effective July 1, 1999, all nursing facilities that are planning to undertake new construction of a nursing facility, and/or a major expansion, and/or renovation project are required to notify the Department of Social Services, in writing and prior to the start of construction, regarding the scope and estimated cost(s) of the project. For purposes of this notification requirement any improvement, repair or renovation project will be defined as any improvement or repair with an estimated cost of \$125,000 or more.

PART II

**SOUTH DAKOTA STATE PLAN ATTACHMENT 4.19D
REIMBURSEMENT FOR NURSING
FACILITIES
(STATE-OPERATED FACILITIES)**

1. The purpose of this plan is to define the methodology for establishment of reimbursement rates for state-operated nursing facilities participating in the State's Medicaid program. Provisions of and payments under this reimbursement plan shall begin July 1, 2001.
2. A uniform report generated by the State's accounting system shall be submitted to the Department of Social Services within 30 days following the close of each facility's calendar quarter. The following criteria apply to all reports:
 - a. Reports shall be completed in accordance with accounting procedures established by the State of South Dakota.
 - b. Reports shall include costs allocated to each facility under the federally-approved Statewide Cost Allocation Plan.
 - c. Reports shall include Department of Human Services administrative support costs allocated to each facility in accordance with that department's annual cost allocation plan submitted to and approved by the federal Department of Health and Human Services.
3. Facilities operating programs other than Medicaid-certified programs shall submit to the Department an annual cost allocation plan by August 1 of each year. This cost allocation plan will be the basis for allocation of costs among programs within a particular facility for the state fiscal year.
4. All providers shall be required to keep all financial and statistical records for a minimum of six years following the submission of accounting reports, and these records must be made available to representatives of the State and/or Department of Health and Human Services upon demand. In no instance shall records be destroyed when an audit exception is pending.

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10. One per diem rate shall be established for a facility and paid for every Medicaid-eligible resident in that facility. The State shall have discretion in what it charges non-Medicaid residents. The state will not pay for reserve bed days in state institutions.
11. No reimbursement shall be allowed for additional costs related to sub-leases.
12. Per diem rates shall be calculated on the basis of actual occupancy. Occupancy is defined as actual physical resident days.
13. A provisional per diem rate shall be established for the first quarter of each state fiscal year based upon each facility's operating budget and projected resident population. Provisional per diem rates shall be established for the second, third, and fourth quarters of each state fiscal year based upon actual allowable cost and actual physical resident days for the previous quarter. Allowances may be made for known future costs not incurred in the previous quarter if those costs will be incurred prior to the end of the subsequent quarter.

OBRA-1987 cost requests (excluding costs associated with Nurse Aide Training) submitted per Department instructions and approved by the Department will be added to the facility's rate without subsection to ceilings.
14. Following the end of each quarter, the Department shall re-calculate the Medicaid rate from the reports submitted in accordance with Provisions #2 and #3. This rate shall be compared to the provisional rate paid for that quarter, and a financial adjustment shall be made to adjust for any over or under payments.
15. Field audits of accounting reports shall be conducted that shall meet or exceed the scope of Title XVIII specifications. All facility cost reports may be desk audited, with field audits conducted as necessary.
16. All audit exceptions shall be accounted for on the HCFA 64 in accordance with the State Medicaid Manual, Part 1, Section 2500.

PART III

SOUTH DAKOTA STATE PLAN ATTACHMENT 4.19D REIMBURSEMENT FOR INTERMEDIATE CARE FACILITIES FOR THE MENTALLY RETARDED UNDER 16 BEDS

1. The purpose of this plan is to define the methodology for the establishment of reimbursement rates for ICF/MR facilities under 16 beds participating in the State's Medicaid program. Provisions of and payments under this reimbursement plan shall begin July 1, 2001.
2. A uniform report furnished by the Department of Human Services, shall be completed and submitted to the Department within 138 days following June 30. The following criteria apply to all reports:
 - a. Reports shall be completed following generally accepted accounting procedures and the accrual method of accounting.
 - b. Reporting period shall cover the twelve month period, July 1 through June 30.
3. All providers shall be required to keep all financial and statistical records for a minimum of six years following the submission of cost reports and these records must be made available to the Department of Human Services and/or Medicaid Fraud Unit (MFCU) and/or Department of Health and Human Services (HHS) upon request. In no instance shall the records required by this paragraph be knowingly destroyed when an audit exception is pending.
4. All cost reports submitted will be maintained in Department files for a minimum of six years or until any audit exceptions are cleared, whichever is longer.
5. The provider shall identify all related organizations to whom reported operating costs were paid. Identification of the amount of these costs, the services, facilities, supplies furnished by or interest paid to a related organization shall be attached to the annual cost report. Costs shall not exceed the lesser of actual cost to the related organization or the open market cost.

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